

DOCKET SECTION  
BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

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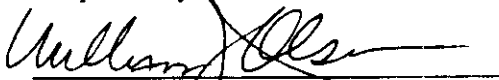
POSTAL RATE AND FEE CHANGES, 1997 )

Docket No. 1897-1'98

VAL-PAK DIRECT MARKETING SYSTEMS, INC.  
VAL-PAK DEALERS' ASSOCIATION, INC., AND  
CAROL WRIGHT PROMOTIONS, INC  
FIRST INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS  
TO NEWSPAPER ASSOCIATION OF AMERICA WITNESS  
SHARON L. CHOWN (VP-CW/NAA-T1-1-11)  
(January 28, 1998)

Pursuant to sections 25 and 26 of the Postal Rate Commission rules of practice, Val-Pak Direct Marketing Systems, Inc., Val-Pak Dealers' Association, Inc., and Carol Wright Promotions, Inc., d/b/a "Cox Direct," hereby submit the following interrogatories and document production requests. If necessary, please redirect any interrogatory and/or request to a more appropriate Newspaper Association of America witness.

Respectfully submitted,



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Carol Wright Promotions, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with Section 12 of the Rules of Practice.



William J. Olson

January 28, 1998

**VP-CW/NAA-T1-1.**

Please explain how your total weighted attributable cost methodology differs from the cost ascertainment system used by the former Post Office Department to allocate costs.

**VP-CW/NAA-T1-2.**

Please refer to page 18 of your testimony, where you compare a systemwide markup to the markups of individual mail classes and subclasses.

- a. What purpose does a systemwide markup serve when each class and subclass is already allocated its respective share of "institutional costs"?
- b. As an illustration of how your proposal operates, please explain why your allocation of institutional costs to Standard A ECR reduces the markup of that subclass.

**VP-CW/NAA-T1-3.**

Please refer to page 19, lines 16-18 of your testimony, where you discuss, under your proposal the Commission's application of "its judgmental assessment of the factors under Section 3622(b) of the Act to derive the appropriate markup for each class of mail."

- a. Is it your view that, under your proposal, the Commission would somehow take institutional costs allocated to one subclass and shift them to another subclass? If so, how should the Commission determine, for example:
  - i. which class/subclass' institutional costs should be shifted to First-Class letters, or which subclass should receive institutional costs otherwise belonging to Standard A Nonprofit?

- ii. how much of the institutional costs otherwise assigned to Periodicals should be covered by other classes or subclasses of mail?
  - iii. having your metric, should or would institutional costs assigned to Periodicals be increased?
- b. Is it your view that the Commission is only distributing "system-wide" institutional costs (p. 8, l. 17)?

**VP-CW/NAA-T1-4.**

Please refer to page 11, lines 15-18 of your testimony.

- a. Is it your testimony that your total weighted attributable cost methodology would supplant the Commission's judgmental assessment of the factors under Section 3622(b) of the Act as the means which governs allocation of most institutional costs? Please explain your answer.
- b. Is it your testimony that your total weighted attributable cost methodology should have more weight than the Commission's judgmental assessment of the factors under Section 3622(b) of the Act in setting class/subclass markups? Please explain your answer.

**VP-CW/NAA-T1-5.**

Please refer to page 17, lines 11-12 of your testimony. Is it your testimony that the Commission should calculate the total weighted attributable cost for each class and subclass of mail, but that the institutional costs for the four basic functions should not be allocated to each class and subclass of mail in accordance with that methodology? Please explain your answer.

**VP-CW/NAA-T1-6.**

Please refer to page 17, lines 9-10 of your testimony. Is it your view that your method provides a better cost figure to which the Commission can apply its judgment (to allocate the remaining institutional costs) for the reason that a larger portion of costs (both certain institutional and volume variable costs) have been assigned by class and subclass than under either the Postal Service's proposed, or the Commission's methodology? Please explain your answer.

**VP-CW/NAA-T1-7.**

- a. Is it your testimony that the Commission should partition the total pool of institutional costs into two separate pools, described by you as "identifiable" and "system-wide" institutional costs (page 8, lines 15-17). Please explain fully any answer that is not an unqualified affirmative.
- b. Is it your testimony that what you describe as "identifiable" institutional costs should be reasonably assigned to the classes and subclasses of mail using your "metric" of weighted attributable costs, and that "system-wide" institutional costs should be allocated according to the non-cost criteria in Section 3622(b) of the Act? Please explain fully any answer that is not an unqualified affirmative.

**VP-CW/NAA-T1-8.**

Please explain how using your “metric” of weighted attributable costs to assign institutional costs to the classes and subclasses of mail comports with each of the criteria in Section 3622(b) of the Postal Reorganization Act.

**VP-CW/NAA-T1-9.**

Should weighted attributable costs be used as the basis for allocating system-wide institutional costs? If your answer is affirmative, please explain why this is more fair and equitable than using actual attributable costs?

**VP-CW/NAA-T1-10.**

Please refer to Exhibit NAA-1E.

- a. Confirm that the weighted markup for Standard A Commercial ECR is 77.75 percent, and for Nonprofit ECR it is 41.06 percent.
- b. Confirm that the weighted markup for Standard A Commercial Regular is 49.19 percent, and for Nonprofit Regular it is 20.23 percent.
- c. Do you agree that the nonprofit markups do not conform with the requirements of the RFRA? Explain fully any negative answer.
- d. Would you bring the nonprofit markups into compliance with RFRA by (i) adjusting the nonprofit markups, or (ii) adjusting the commercial rate markups so that the nonprofit markups are equal to 50 percent of the corresponding regular rate markup?

**VP-CW/NAA-T1-11.**

Refer to your testimony at page 11, line 7.

- a. Define the term “reasonable share” as you use it there, and explain whether that is solely your interpretation, or whether you believe it derives from some criterion or criteria in Section 3622 (b) of the Act.
- b. Define the work “escapes” as you use it there. Would you agree that your statement **assumes** that Class C should be paying a higher share of institutional costs?